

## Message Text

CONFIDENTIAL

PAGE 01      WARSAW 01541 240859Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 XMB-02 OPIC-03 /026 W  
-----013506 240906Z /23

P 240756Z FEB 78  
FM AMEMBASSY WARSAW  
TO SECSTATE WASHDC PRIORITY 3488  
USDOC WASHDC PRIORITY

C O N F I D E N T I A L WARSAW 1541

PASS EXIM BANK

EO 11652: GDS  
TAGS: ETRD, EIND, PL, US, EXIM  
SUBJ: FRENCH COMPETITION THREATENS POTENTIAL PULLMAN CONTRACT FOR  
HUTA KATOWICE

1. SUMMARY. HIGHLY UNORTHODOX FRENCH FINANCING TERMS,  
WHICH INCLUDE LOW INTEREST RATES AND COVERAGE OF ONE HUNDRED  
AND TEN PERCENT OF THE VALUE  
L THE CONTRACT, MAY CAUSE  
PULLMAN SWIDNELL TO LOSE OUT ON A US \$13 TO 17 MILLION SALE  
FOR JUTA KATOWICE FOR WHICH AN EXIM BANK PRELIMINARY COMMIT-  
MENT HAS ALREADY BEEN EXTENDED. END SUMMARY

2. LOCAL PULLMAN-SWINDELL REP ANDREW JAWROSKI, ACCOMPANIED  
BY PULLMAN-SWINDELL INTERNATION VICE PRESIDENT ROBERT  
KRATTLI, VISITED THE EMBASSY FEB. 22 TO OUTLINE PROBLEMS PULLMAN  
IS FACING IN ATTEMPTS TO WIN A CONTRACT TO SUPPLY REHEATING  
FURNACE EQUIPMENT FOR NEW SLAB MILL BEING BUILT AT HUTA  
KATOWICE STEEL PLANT NEAR KRAKOW. THE REHEATING FURNACE  
WILL BE THE LARGEST OF ITS  
KIND IN THE WORLD WHEN COMPLETED.

3. THE PULLMAN REPS SAID THAT AFTER MONTHS OF NEGOTIA-  
TION, COMPETITION FOR THIS CONTRACT, WHICH WILL INVOLVE-  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02      WARSAW 01541 240859Z

EXPORTS OF BETWEEN \$13 AND 17-MILLION WOTH OF U.S.  
EQUIPMENT, HAS NARROWED DOWN TO PULLMAN SWIDNELL AND THE  
FRENCH FIRM STEIN SURFACE. POLISH ENGINEERING AND  
FOREIGN TRADE FIRMS INVOLVED, HUTMASH AND CENTROZAP,  
HAVE GENERALLY AGREED THAT PULLMAN SWINDELL HAS THE EDGE IN  
TECHNOLOGY AND ALSO MUCH MORE EXPERIENCE. IN FACT,  
PULLMAN HAS BEEN CONFIDENTIALLY ADVISED THAT IT HAS BEEN

RATED NUMBER ONE IN A SPECIAL AND HIGHLY CONFIDENTIAL SURVEY WHICH THE POLISH GOVERNMENT HAS MADE OF POSSIBLE SUPPLIERS FOR THIS CONTRACT, ALTHOUGH THE POLES HAVE NOT OFFICIALLY INFORMED PULLMAN OF THIS.

4. PULLMAN'S FINANCING OFFER CONSISTS OF AN EXIM BANK PRELIMINARY COMMITMENT (PC) TO COVER 85 PERCENT OF THE VALUE OF ALL CONTRACTS FOR U.S. EQUIPMENT AT AN INTEREST RATE OF EIGHT PERCENT AND WITH REPAYMENT TERMS OF FIVE YEARS AFTER A THREE-YEAR GRACE PERIOD. THESE ARE IDENTICAL TERMS FOR EXIM COVERAGE OF THE GE AUTOMATION EQUIPMENT SALE TO KATOWICE WHICH WAS CONCLUDED (CONTRACT SIGNED) A FEW WEEKS AGO.

5. THE FRENCH, HOWEVER, HAVE RECENTLY MOVED AHEAD SHARPLY IN THE AREA OF FINANCIAL COMPETITION AND PULLMAN IS SERIOUSLY CONCERNED THAT THIS MAY TILT THE CONTRACT TO STEIN SURFACE. THE FRENCH INTEREST RATE IS 7.5 PERCENT FOR MPART OF THE CONTRACT AND 7.75 PERCENT FOR THE REMAINDER. IN ADDITION, FINANCING COVERS 110 PERCENT (SIC) OF THE TOTAL VALUE OF THE CONTRACT. ASKED HOW THIS WAS POSSIBLE, THE PULLMAN REPS EXPLAINED THAT IN EFFECT THIS OFFER AMOUNTED TO 100 PERCENT FINANCING PLUS AN EXTRA CREDIT LINE FOR AN AMOUNT EQUAL TO TEN PERCENT OF THE COST OF THE CONTRACT FOR WHATEVER THE POLES MIGHT WISH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03      WARSAW 01541 240859Z

TO BUY. THE GRATUITOUS CREDIT LINE WOULD, OF COURSE, BE COVERED BY THE SAME INTEREST RATES AS WERE OFFERED FOR FINANCING OF THE KATOWICE EQUIPMENT. IN ADDTION, STEIN SURFACE RECENTLY MATCHED A PULLAM SWINDELL PROTOCOL WHICH IT HAD EARLIER CONCLUDED WITH HUTA KATOWICE OFFERING TO COOPERATE IN EXPORTS TO DEVELOPING COUNTREIS.

6. PULLMAN HAS SUGGESTED THAT ANY SLICING OF EXIM'S EIGHT PERCENT INTEREST RATE WOULD HELP THEIR SITUATION, PERHAPS FROM EIGHT PERCENT TO SEVEN AND THREE QUARTERS OR EVEN AS LITTLE AS SEVEN AND SEVEN-EIGHTS. THEY ARE ALSO CONDIERING THE KIND OF ACTION TAKEN BY GENERAL ELEICTRIC, I.E. COVERING HALF THE COST OF THE DIFFERENCE BETWEEN JAPANESE AND EXIM CREDIT COSTS BY AN OFFER OF ADDITIONAL EQUIPMENT AND SERVICES, ALTHOUGH THEY ARE NOT SURE IF THIS WOULD BE POSSIBLE.

7. FINAL POLISH DECISION ON THIS CONTRACT IS NOW EXPECTED WITHIN THE NEXT TWO WEEKS. CONSEQUENTLY, ANY EXIM ACTION TO MOVE CLOSER TO FRENCH TERMS MUST BE TAKEN AS SOON AS POSSIBLE.

8. ACTION REQUESTED: EMBASSY WOULD APPRECIATE EUR/EE  
PASSING THIS TELEGRAM TO RAYMOND J. ALBRIGHT OF EXIM BANK  
AS SOON AS RECEIVED.  
BROWN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, PROPOSALS (BID), CONTRACTS, ROLLING STOCK  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978WARSAW01541  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780085-1050  
**Format:** TEL  
**From:** WARSAW  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780213/aaaaakwi.tel  
**Line Count:** 120  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 39a6b5cf-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 26 apr 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3477786  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FRENCH COMPETITION THREATENS POTENTIAL PULLMAN CONTRACT FOR HUTA KATOWICE  
**TAGS:** ETRD, EIND, PL, US, FR, XMB  
**To:** STATE COM  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/39a6b5cf-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014